The German Economy
— Recovery Dependent on Individual's Efforts

By SIR CECIL WEIR
Retiring Economic Adviser to Military Governor, CCG (BE)

At the beginning of a new epoch in German affairs it is profitable to take a look at the situation and its problems for which the High Commission and the Federal Government will become responsible in the (Commission Administration) phase which is about to open in Western Germany.

The economic situation is, on the whole, an encouraging one, but the problems are as challenging as ever. Complacency should be avoided at all times, and certainly there is no place for it in an economy which is still producing at less than 90 percent of 1936 in an area which has a population some 20 percent greater than in 1936, and which has still to depend on external financial assistance for a substantial proportion of its essential imports.

Western Germany is not alone in requiring outside aid. Most of the Marshall Plan countries are still a good way off viability on the standards which, happily, we consider to be necessary for civilized and cultured peoples. But the levels of production and consumption in western Germany, although they compare favorably with those of eastern Germany, are still substantially below those of other participating countries in the Organization for European Economic Cooperation.

Nevertheless, the progress of the economy in the past 15 months has been remarkable and sustained. This progress is evident in the appearance of the people, in the activity of the factories and in the windows and on the shelves of the shops. It presents the federal German government with opportunities and possibilities which, if they are seized and exploited, should enable them to achieve no less remarkable, if less sensational, improvements in the next two years, than those which have accomplished so great a transformation in living conditions and in industry in the period since currency reform.*

The objective is to become independent of extraordinary outside economic assistance by 1952-53. This will mean, first and foremost, a development of export trade in every profitable direction. In particular it will mean a great increase in exports of manufactured goods to dollar areas and to those countries which can provide the products and commodities which are essential to the German economy and which, if not obtained in trade with non-dollar countries would have to be obtained from dollar areas or be done without.

Let us see how export trade has progressed in the last three years:

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Exports</th>
<th>Import Arrivals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>$225,000,000</td>
<td>$734,000,000</td>
</tr>
<tr>
<td>1948</td>
<td>$599,000,000</td>
<td>$1,400,000,000</td>
</tr>
<tr>
<td>1949 (1st quarter)</td>
<td>$265,000,000</td>
<td>$389,000,000</td>
</tr>
<tr>
<td>1949 (2nd quarter)</td>
<td>$300,000,000</td>
<td>$461,000,000</td>
</tr>
<tr>
<td>1949 July</td>
<td>$113,000,000</td>
<td>$237,000,000</td>
</tr>
</tbody>
</table>

That looks not too bad at first sight, but it is far from being adequate. The present monthly rate of exports must be much more than doubled if western Germans are to have a normal standard of living purchased by their own efforts and their own trade.

It seems to me, therefore, that one of the first priorities for the federal German government is to set in train and to inspire an export drive. Such a campaign, if it is to succeed, must enlist the conscious, sustained and enthusiastic support of industry which alone can bring to realization the plans and policies of governments in these fields. The old slogan of "Export or Die!" has become for Germany, as for our own country, "You must export to live!"

In the several phases we have passed through in Germany since the beginning of the occupation, much of the stimulation of export trade and most of the responsibilities for trade negotiations have been undertaken and borne by the Occupation Authorities. JEIA (Joint Export-Import Agency) has become a familiar name to traders in all parts of the world. It was necessary to restore the fundamental bases of external trade in Germany, and Military Government

* Introduction of Deutsche Mark, June 1946.
was bound to treat this as a matter of first-class importance.

But the development of Germany's foreign trade, although it will remain a matter of particular concern to the High Commission, will have to be promoted and carried out henceforward by Germans. It is, indeed, more appropriate in a highly competitive world that the people of a country which has again got on to its economic feet should promote their export trade by their own efforts and their own inspiration rather than by means of the leadership and direction of the nationals of other countries, however eager and well-disposed these may be.

In many ways the federal German government will be confronted with the problems of foreign trade at the very outset of its career. It can be assumed that one of the first actions of the new government will be to apply for membership in the Organization for European Economic Cooperation, and, thereafter, to execute a bilateral agreement with the United States Government which will take the place of the existing bilateral agreement between the Military Governors and the US Government. Already, in anticipation of this, the bizonal delegation to the OEEC in Paris has turned over many of the duties of representation on committees to German delegates and has made preparations for a complete transfer of the delegation to German hands.

Thus, while the foreign trade policies of western Germany, like those of other participating countries, will continue to be scrutinized at the OEEC they will have to be justified and defended by German spokesmen in the council and its several committees.

It has been one of the most interesting and educative of the duties of my Western Allied colleagues and of myself and my British colleagues to pilot the OEEC programs of western Germany through the different echelons of the Paris organization. In the preparation of these programs there has been the closest cooperation and coordination in the relations between the officials of the German Economic Administration and the Occupation Authorities, but the final attitude on debatable and controversial points is naturally conditioned and influenced to some extent by the necessity or otherwise of personally arguing and justifying such points at a forum of keen and experienced European economic intellects.

This the German authorities will have to do themselves in future. It is by the manner in which it carries out responsibility in this sphere and by its recognition of the importance of making a positive and constructive contribution to economic cooperation in Europe, that the federal German government will achieve influence and authority both in the OEEC and in its relations with other European nations.

In other sections of the economic picture the problems and urgencies are equally pressing. The more one studies them, the more one realizes that they are all inextricably bound together, and that the solutions must be considered in the light of the contribution which they are likely to make to the attainment of the general objective. What is wanted in the sphere of government is not a series of ad hoc injections and stimuli, but a concerted plan. This does not require a mass of controls nor does it imply interference with enterprise, but it does necessitate the setting up of a program and a continuous follow-up system.

Production in industry has doubled in a year. It must make very nearly the same percentage advance in the next two and a half years that it has made in the past 14 months if the standard of life at which we are aiming is to be achieved, and the program submitted to the OEEC fulfilled. There is nothing impossible or even too difficult in this task. The plant and equipment exist, the raw materials have been programmed and are flowing in, and an adequate labor force of good workers is available.

Indeed there is much more labor available than can readily be absorbed in productive industry on the programs envisaged, and it will be necessary to promote and foster other avenues of employment if the discouraging and economically wasteful—as well as politically and socially harmful—emergence of a major unemployment problem is to be prevented.

That there is work for those who want it in most parts of western Germany today cannot be denied. Agriculture has made big strides, but there is still a lot to do in that field; the basic industries are reasonably well-staffed, but their targets are still much ahead of their performance; merchant shipbuilding and the possession of a merchant marine are again permitted; but perhaps the biggest opening for employment, which ought to be available now, is in the building and construction trades and in the industries which will be called upon to provide the requirements of these trades when the job of physical reconstruction is tackled in real earnest.

Germany brought upon herself destruction of property on a scale which is unparalleled in any area of equal size. If housing and living conditions are to be on a par with the other amenities which Germany is now obtaining on an ever increasing scale, then the federal and state governments and the building and civil engineering industries will have to make exceptional efforts.

To support these efforts the people will have to accept special and severe taxation and private investors will have to come forward with their savings and capital. Foreign investment may play an important part in future industrial development, but the physical reconstruction of Germany and the re-creation of homes for the German people is primarily a German problem financially, economically and socially. The Economic Cooperation Administrator may assist, but the main task is and should be a German one.

The impression I have is that the forward march of the economy has not been halted, but that it will require continuous effort if the production targets which have been set in the OEEC programs are to be achieved.

In the coal industry it should be possible to get back to prewar output quite quickly. There is still some slack in the manpower output which should be taken up, and nothing

(Continued on page 39)